

**USAID/Vietnam Competitiveness Initiative, Phase II (USAID/VNCI)**  
**Monthly Report for June 2012**

**Simplifying Administrative Procedures**

- **Vietnam treasures operation of USAID/VNCI:** Deputy PM Nguyen Xuan Phuc made the remark on June 20 in Hanoi while receiving Jim Winkler, the outgoing Project Director of the USAID-funded Vietnam Competitiveness Initiative. Deputy PM Phuc said Vietnam highly appreciates the assistance of the USAID-funded Vietnam Competitiveness Initiative for the ongoing administrative reform in Vietnam, which has brought practical results for the socio-economic development in Vietnam, and have been highly commented by the Party, Government and the people of Vietnam. Vietnam will put more effort on this reform to bring greater results, benefit for citizen and businesses, to reduce the administrative burden to meet the needs for growth of the country. More information on this event can be read here:

<http://news.gov.vn/Home/VN-treasures-operation-of-USAIDVNCI/20126/14814.vgp>

<http://baodientu.chinhphu.vn/Home/Pho-Thu-tuong-Nguyen-Xuan-Phuc-tiep-Giam-doc-Du-an-Sang-kien-canh-tranh-Viet-Nam/20126/141344.vgp>

- **Development of guiding manuals on AP control for private sector:** USAID/VNCI's advisory team support APCA to finalize guiding materials on AP control for private sector. The guiding materials on AP control for private sector are in both Vietnamese and English. USAID/VNCI's translation team support APCA to translate it into English and USAID/VNCI's advisory team support APCA to review English version. IFC finance and support APCA to print these sets of guiding materials, which will be circulated through IFC channels to other countries to promote similar reform efforts.
- **Training course on leadership skills for APCA:** USAID/VNCI's advisory team co-operated with Tam Viet group to deliver a two-day training course on leadership skills in Nghe An province on June 11-12, 2012 to APCA. The training course aims to equip APCA's staff with key leadership skills for them to organize their work efficiently and effectively, especially enable APCA staff to facilitate ministries, provinces and private sectors to contribute their most efforts and intellects in AP reform. During training course, USAID/VNCI's advisory team facilitated APCA to apply leadership skills in key APCA's functions and responsibilities, especially to share experiences in applying leadership skills to co-ordinate internal and external resources in AP bundle review. Knowledge in leadership skills delivered by Tam Viet is highly appreciated by APCA and experience-exchange handled by USAID/VNCI's advisory team is valuable from APCA's point of view. The Secretariats were actively involved in the process of mobilizing financial support for the training from ACAPR members, as the result, Mr Vo Quoc Thang – co-support the organization of the training.
- **Development of guiding manuals on AP control for private sector:** USAID/VNCI's advisory team support APCA to finalize guiding materials on AP control for ministries and provinces as well as for private sector. The guiding materials on AP control for ministries and provinces are in Vietnamese and are printed. The guiding materials on AP control for private sector are in both Vietnamese and English of which Vietnamese version is ready for printing and English version is being finalized. USAID/VNCI's

advisory team co-ordinate with IFC to finance and support APCA to print these sets of guiding materials and its translation into English.

- **OOG approved guiding materials on AP publicity at AP-settling state offices and report format on situation & results of AP handling for implementation at ministerial and provincial level:** With support from USAID/VNCI's advisory team, these guiding materials have been approved by Vice Minister Thu for implementation at ministerial and provincial level on June 4, 2012. The guiding materials enable state agencies at all level to report on situation & results of AP handling, focusing on APs which are not resolved by deadline and causes of the delay. The format is required to be applied to the report of the third quarter of the year onward. The other part of the guiding materials is AP publicity at AP-settling state offices which require state agencies to make APs transparent for businesses and citizens easier to access. This set of guiding materials will facilitate APCA to supervise how administrative agencies at all level to serve businesses and individuals, hence to strengthen administrative disciplines in serving businesses and individuals, and timely to prevent the power abuse of officials and civil servant in performing their assigned duties.
- **Discussion with APCA on strategy for APCA and regulatory reform:** USAID/VNCI team (Jim Winkler and Viet Anh) met APCA leadership to share the feedback of key private sector stakeholders such as Alain Cany and Fred Burk on Project 30. Agreed strategy with APCA in the next months is to focus on (1) better communication with private sector on tangible impact of project 30, and (2) better engagement with private sector to create pressure points on government leaderships to support AP reform and regulatory reform.
- **Communications**
  - Dr Ngo Hai Phan of APCA met with local media on the occasion of 2012 Vietnam Journalism Day 20 with more than 20 key reporters in the AP reform network joining the discussion. As the result, there is an opportunity for more articles written in English in the coming months.
  - USAID/ VNCI advisory team finalized updating of APCA new website content. The new website with various new functionalities will be launched in early July, which will help APCA and OOG to communicate better to the public on the government effort to reform AP.
  - Prepared communication campaign on proposal for land construction AP simplification with VTV1 and VOV. This is part of the effort to build consensus and support for the bundle review that APCA is taking the lead under PM's Decision 263.
- **Secretariat**
  - ACAPR's tax working group has small meeting among focal points (VCCI, IFC and Secretariat) to discuss about review process and content of tax APs in the focus review list. Setting VAT threshold will be a significant reform under this initiative, which Project 30 was able to build the foundation through the review of procedure on VAT declaration. This reform will help thousands of businesses to reduce burden of tax compliance, as well as improve efficiency of tax administration for the government.
  - ACAPR's WG of Land & Constructions had a focus discussion about draft proposal of simplification measures, which aiming at reducing at least 30% of time cost and paperwork for investors.

- IFC, an ACAPR member, support APCA to develop and print the manual for AP control unit system to provide guidelines using and applying tools, methodologies in AP control activities.
- Da Nang Institute for Social-Economic Development Studies implemented the survey on the implementation of residence administration APs at Thua Thien Hue, Quang Nam and Da Nang to collect input information for the review of these APs.
- Working group on Closing Business has a working session with APCA team to agree on the review plan and proposal. One of the focuses of this WG is to propose on the amendment of existing Law on Bankruptcy.
- USAID/VNCI team met with Alan Cany of VBF and Fred Burk of Amcham to discuss about ideas and solutions to support AP reforms, given the slow momentum of Project 30's implementation, and lack of political support. USAID/VNCI will work with Alan and Fred on better communication activities to the business community the benefit of Project 30, as well as engaging OOG leadership to support AP reform through Amcham and VBF activities.

### **Regulatory Reform and Regulatory Impact Assessment (RIA)**

- **Training Workshops:**

- USAID/VNCI organized a RIA training workshop on 8-9 June under PERQ for Ministry of Health's staff. Participants learnt about how to do a RIA in order to make good laws and regulations.
- USAID/VNCI organized a two-day RIA workshop for civil servants from the Ministry of Labor (MOLISA) on 14-15 June 2012. The participants learnt how to analyze policy problems and prepare a report on RIA. They expressed appreciation for the introduction of a useful and logical tool for policy analysis and regulation making.

- **Better Regulations:**

- **Enterprise Law:** USAID/VNCI team assisted CIEM to organize a workshop on Preliminary Evaluation of the Law on Enterprise. The workshop is scheduled on 29/6/2012 with an aim to review and evaluate the Law and collect opinions on how to improve it. This is part of the PERQ program to support the principle of “freedom on doing business” that the current Enterprise Law set, which is being challenged by conservative policy makers inside the government.
- **Law on Laws:** USAID/VNCI team also worked with the Department of General Legislative Affairs, Ministry of Justice to discuss and prepare a RIA report for merging and revision of the Law on Laws and Law on Provincial Legal Normative Documents. The RIA is expected to be finished by the end of the year to serve as a basis for writing a new Law on LNDs for both central and provincial levels.

- **Support ILS of National Assembly with the law making process:** USAID/VNCI met with Institute of Legislative Studies (ILS) on June 12, 2012 to discuss opportunities to cooperate in contributing to the law-making process. ILS is a research and information entity reporting to the Standing Committee of the National Assembly. We agreed that USAID/VNCI will provide them with RIA training and comments on bills of interest as input for their law-making research activities.

## **The Provincial Competitiveness Index (PCI)**

- **2011 PCI diagnostic workshops:**

- **Workshop in Tuyen Quang province on May 30:** It was the first time Tuyen Quang province held a PCI workshop, which was chaired by Director of DPI. The workshop aimed at providing information to provincial leaders about PCI and the importance of the private sector as well as improving business environment through business-friendly governance. Tuyen Quang found its PCI ranking down 22 places to 56th out of 63 in 2011, requiring for more efforts and reform programs.
- **Workshop in Nghe An province on June 6:** Nghe An province was among the last 5 provinces that had never approached PCI team for workshops or dialogues. This year, the province made big progress by issuing an action plan to improve PCI and organizing a scientific workshop for comments and reports of further PCI analysis. The workshop was chaired by the Vice Chair of Nghe An PPC, participated by around 50 officers of the province and line departments. In addition to reports by PCI team, good practices on how to simplify Land procedures and improve transparency by Hieu- CIEM, good practices in Land area by Ha Tinh Director of DONRE, reports by representative of VCCI branch in Vinh were shared at the workshop. Being the first time to organize PCI workshop, the discussion were comments and criticism mostly about the index methodology and questions about the 9 sub-indices. Concluding the workshop, Nghe An Vice Chair of PPC highly appreciated those comments & reports, and made commitment to improving PCI and investment environment and to raising awareness and business-friendly attitude among provincial civil servants of the whole authority.
- **Workshop in Thai Binh on June 25** was chaired by the PPC Chairman of Thai Binh, the workshop aimed at improving the business environment and provincial competitiveness of Thai Binh province. This was the first time Thai Binh conducted a PCI workshop officially. 60 participants showing up signaled the provincial commitment to improve PCI. Last year, with a decrease of more than 6 score points, Thai Binh dropped 33 places to 55 out of 63. Areas considered to be weaknesses and main reasons for Thai binh disappointed performance are Time Cost, Transparency, Labor Training, Proactivity and Business Support Services. At the workshop, Thai Binh presented its efforts to improve the competitiveness through a thorough report on its governance in 2011 and proposals for reform activities in 2012.

- **PCI outreach:**

- Jim Winkler presented the FDI survey results to over 20 members of Amcham in HCMC. The presentation was well received by the group, which includes staff from US consulate in HCMC.
- Jim Winkler is requested to provide a quote for Vietnam Investment Review on the occasion of the Vietnam's Journalism Day, June 21 and conducted an interview with the Voice of Vietnam on the Vietnam's investment promotion policies and current status of foreign direct investment in Vietnam
- drafting a template for writing up a case study of the PCI as Harvard Business School style to raise awareness about the project and to be used as a teaching tool and developing methodology for evaluating the PCI

- **PCI 2012 survey:** Started to mail-out to 30,000 domestic enterprises for the 2012 PCI survey and revised the questionnaire for foreign enterprises survey. By 25 June, 13,245 questionnaires were sent to domestic enterprises in 33 provinces. Response number reached 719. Mailing out and follow-up phone calls are continuing to increase the

response rate. Questionnaire for foreign invested enterprises survey is being revised and prepared for printing layout.

- **PCI sustainability:** A meeting was held with VCCI to review VNCI's cooperation with VCCI and discuss future of the PCI. VCCI has recently recruited a new staff that graduated from a Master Program from University of San Diego in California. It is expected that Mr. Thach, the new recruitment who has expertise in Stata, will be working closely with PCI research team on data processing, as part of the sustainability strategy.

### **Infrastructure Financing/Development via Public-Private Partnerships**

- **Prime Minister approves ADB loan:** PM signs Decision 774 on June 6 to approve the ADB loan proposal to create a revolving PPP Project Development Fund (PDF) that will provide line ministries, provincial governments and other state agencies (ASA) with the funding necessary to conduct proper PPP feasibility studies and hire transaction advisors to support the contracting agency in undertaking a competitive, transparent and efficient PPP transaction. It is intended that funds provided to the ASA through the PDF will be repaid by the winning bidder through fees generated in providing the infrastructure/service. This is a very positive signal from the top leadership that the critical PDF facility will be implemented, and a great incentive to move the PPP initiative forward. USAID/VNCI team is supporting PPP Office to prepare paperwork for submission to SBV to process the loan and has been requested to advise the PPP Office through the implementation process of the PDF. At this point in the process, the real threat to the PDF is again the very tight timing to be prepared to have the program presented at the next ADB Board meeting. On the Vietnamese side, the bottleneck is the disagreement between the MPI and MOF on whether an ASA should be responsible for repaying funds related to an ASA unsuccessful attempt at a PPP. The compromise solution as in India may be that an ASA will have pay commitment percentage fee equal to a 10% to 25% of the projected costs.
- **Support in preparing the PDF Feasibility Study:** Reviewed and made final recommendation on PDF FS prepared by PPP Office and the ADB consultants. VNCI/USAID focused on the proposed fund implementation process. The FS once approved by the Minister of MPI will be submitted for approval to the Prime Minister.
- **Da Nang Projects:** USAID/VNCI team is supporting the PPP Office in assisting the Government of Da Nang conduct a feasibility study and through the transaction process of two PPP Projects (urban transport and septic tank collection and treatment) in the province. The IFC has been hired by the Province of Da Nang to conduct the feasibility studies and to advice on the closing of the PPP transactions. VNCI will also support the PPP Office in reviewing the transaction to ensure Decision 71's principles are properly followed through the process.
- **Nghi Son (Thanh Hoa) Wastewater Project preparation:** Two members of the VNCI team spent 2 days in Thanh Hoa ASA meeting with officials regarding the feasibility and probable structure of a PPP on the Nghi Son Economic Zone Waste Water Treatment Project. The trip included a site visit of Nghi Son Economic Zone. The USAID/VNCI Team is assisting the ASA in preparing the project proposal which will be submitted to the PPP Task force to justify using additional resources in conducting a feasibility study and ultimately in hiring a transaction advisor if the project shows to be feasible. The project proposal will also estimate the amount of state contribution that will be required

on the project. This is expected to be the first project proposal under decision 71 and will form the basis for project proposal template.

- **Capacity building for PPP. The VNCI/USAID is:**
  - Reviewing and recommending changes a draft Procurement Law, to be proposed by PPA. The VNCI/USAID is focusing specifically on “selection of investors” section. The revised Procurement Law is in the final stages of preparation.
  - Drafting the PPP “project selection” and “project proposal” guidelines for the PPP Office and ASA. These guidelines will be based on “best practices” and existing pertinent Vietnamese decisions, decrees and laws.
  - Preparing materials for a kick-off PPP workshop that will include 14 ASAs (12 provinces/cities and 3 line ministries) to introduce guidelines/criteria for PPP project selection and to develop a project proposal. The workshop is scheduled for the last week of July. An interesting note is that the top 10 provinces, per the VNCI/USAID PCI were selected to be participants by the MPI.
- **Communication for PPP:** USAID/VNCI technical team completed a working discussion with PPP Office on June 15 on communication PPP promotion plan. The PPP Office has now better understanding of the need for engaging the media to support the PPP initiative, and is exploring options on program identity prior to making final decision on the strategy that will be presented to the MPI Minister. The support will include developing a Logo, Slogan and PPP Office Website.
- **Supply Chain Conference:** USAID/VNCI provided in-kind support to the conference organized by Vietnam Supply Chain Network in Hanoi on June 22. The network is led by a group of dynamic Vietnamese and In’t business based in HCMC. There were over 100 business representative attended the conference, including big names such as DHL, Metro, VINAFCO, etc. The conference discusses how Supply Chain Management can help to improve the Competitiveness of Vietnam, with a particular focus on the Northern Industrial Clusters and how Companies operating in Vietnam can benefit from Supply Chain Concepts, Tools and their organizational implementation to strengthen their position for the years ahead. Scott Jazynka, USAID/VNCI’s Project Director made opening remark at the event. VNCI/USAID has also been invited to speak at a three day supply chain workshop in October.

## **Project Management**

- Jim Winkler left USAID/VNCI on June 21 for Headquarter position. Scott Jazynka has taken over the COP position, pending USAID approval. Viet Anh Nguyen as DCOP is co-managing the project by leading on administrative procedures reform, RIA, and PCI. Scott is focusing on the rapidly developing PPP program, which has significant momentum at this point.